

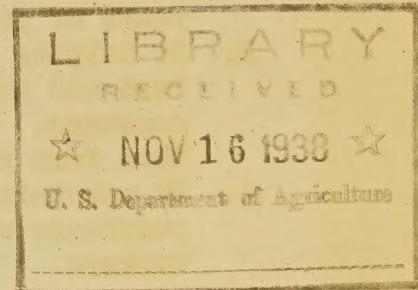
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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
East Central Division

THE NATIONAL AAA FARM PROGRAM

PROTECTS FARMERS
PROTECTS CONSUMERS
PROTECTS THE SOIL



1. Why do we have a national farm program?

1. To protect farmers from unfairly low prices and low income.
2. To protect consumers by providing enough food and clothing every year at reasonable prices.
3. To protect soil from erosion and waste.

2. How does the AAA farm program protect farm income?

First, it assists farmers in bringing about a balance of supply with demand.

- (1) The acreage allotments are sufficient to produce all we need in the U. S., for profitable markets abroad, and for a safe reserve.
- (2) Marketing quotas, in times of overproduction, can be used by farmers to protect their prices.
- (3) Loans help farmers to store their surplus products until they are needed by consumers.
- (4) In the case of wheat, insurance enables farmers to deposit part of their surplus into a reserve for the payment of losses in poor crop years.

Second, it provides payments which supplement the incomes of farmers who cooperate to bring about a better balance in agriculture. These payments help farmers: (1) to pay the cost of shifting acreage of soil depleting crops to soil conserving crops; (2) to pay the cost of building and maintaining soil fertility, and (3) to obtain an income from their crops nearer parity levels.

Third, for the future it makes farm income more secure by conserving the soil through encouraging the growing of more soil conserving crops and the greater use of such soil-building practices as the use of phosphate and lime, planting of permanent pastures and trees, and terracing.

3. How does the AAA farm program protect consumers?

1. By building up soil fertility and checking soil erosion, it insures future food supplies for consumers.
2. By carrying over surplus production in the Ever-Normal Granary, it insures them against a food shortage and excessive prices in years of poor crop yields.
3. By helping to stabilize farm prices, it reduces the risk of handlers and processors, and narrows the margin between producer and consumer. When farm prices go up, retail prices follow quickly. When farm prices go down, retail prices are much slower to decline.
4. By maintaining farm buying power, it makes the farmer a better purchaser of city goods and makes jobs more secure for city wage-workers.

4. Do large surpluses assure everyone in the United States plenty to eat and wear?

Experience does not indicate that large surpluses of farm products at low prices will be used up through increased consumption. Low-priced surpluses existed in 1932, but more people in this country went hungry than ever before. Consumers need higher incomes and greater employment to increase their consumption of dairy products, meat, fruit, and vegetable products, which consumers should have in large quantities.

5. Does the farm program reduce production in this country and allow farm products to be shipped in from other countries?

During the past year corn exports amounted to more than 130 million bushels, the highest in more than 15 years. During the wheat crop year closed June 30, 1938, our wheat exports were more than 100 million bushels. Imports of both of these products which occurred during drought shortage have practically ceased. Cotton and tobacco imports are confined largely to special types and grades not produced in this country.

With the increased reserves accumulated under the Ever-Normal Granary and crop insurance features of the farm Program, less imports will be needed to make up for short crops.

6. Should the AAA set limits on acreage of crops of which farmers in this region usually do not produce enough for their own use?

The acreage allotments set on general crops are as high as the acreages of these crops usually grown on farms in the East Central Region. Generally speaking, East Central Region farmers do not raise a sufficient amount of feed because of low yields. What farmers who are short of feed really want is not more acres, but more bushels. The most efficient way to get more bushels is by building a more productive soil so that the same, or smaller acreage, will fill the need. The AAA program helps the farmer meet his feed needs by building up his soil. The setting of limits merely assures the farmers in other regions, who produce feed grains commercially, that their efforts to balance their business will not be offset by undue increases of production in this Region.

7. Will not the program increase prices of grains which East Central dairymen and poultry producers have to buy?

The AAA program tends to keep grain prices steady at reasonable levels. Dairy and poultry producers have a better chance to make profits under such conditions. When feed grain prices are too low, competition increases, and prices of dairy and poultry products become low also. The AAA farm program is a national program for the good of all farmers.

8. Will not soil conservation bring about larger production, more surpluses, and lower prices?

The program aims at balanced production in line with consumer demand. That balance is obtained not through undesirable exhaustion of the soil so that it will not yield large crops, but rather by adjusting the acreage planted to depleting crops and by encouraging the growing of soil conserving crops.

Soil conservation, through acreage adjustments, merely stores in the soil until such time as it is needed the fertility that otherwise would produce an unneeded surplus.

9. Why are cotton prices low?

Present prices for cotton reflect both the large carryover of cotton from last year's record crop and the recent low level of business activity. It is only this year that the pinch resulting from the large crop in 1937 has begun to be felt in earnest. The present carryover of more than 13 million bales is even a little larger than the carryover of 1932. Doubtless, without the cotton loan and the cotton acreage program, the price of cotton would be down to 4 or 5 cents a pound. As it is, the price is around 8 cents, or about equal to the present loan value of 8.3 cents.

To offset the huge production of a year ago, farmers found it necessary to plant only about 27 million acres this year. On this acreage, it is estimated that a crop slightly over 12 million bales will be harvested. Continued adjustment of the cotton acreage is the farmers most definite approach to a satisfactory income from cotton.

10. What is the situation for wheat farmers?

This year's production of wheat in the United States is estimated at 940 million bushels--one of the two largest crops in the last 20 years and nearly 300 million bushels more than our own domestic needs.

A wheat carryover of 300 million bushels is in prospect for next July.

The farm price of wheat is now around 50 cents, as compared with 30 cents in 1932, a dollar and a quarter two years ago, and pre-war parity of \$1.12 per bushel of wheat.

Since 1936 two things have happened to the price of wheat in the United States. One is our return to the export market. That means that imports of wheat, which were caused by the four successive years of drought and crop failure, have practically ceased and the wheat tariff of 42 cents is no longer bolstering the wheat price in this country. The other thing that has happened is the great increase in wheat supplies abroad. In response to that increase, the world price has fallen. For two or three years we were on tariff stilts, above a world price level that itself was much improved. Now the world level is down and our tariff stilts are of no avail to keep our price from slumping down even more.

Legislation providing for the 1938 program with acreage allotments was enacted too late to influence the acreage in the major wheat producing States and thus could not prevent a second year of unusually large wheat acreage. The wheat acreage adjustment for 1939 is heavy, but it is necessary in order to offset the excessive stocks of wheat now on hand.

11. What is the situation for tobacco growers?

An increasing domestic consumption of cigarette types but reduced exports of all types briefly describes the current demand for tobacco. Supported by the AAA Farm Program, prices have been relatively good. However, with the large area of land available for tobacco production, acreage adjustments must be continued if income from tobacco is to be maintained at a satisfactory level.

1. Flue-cured: Although domestic consumption of this tobacco is the highest on record, production in 1938 exceeded disappearance. Exports are below those of a year earlier. Since stocks next year will be larger than at present, acreage planted in 1939 should show some reduction from that of 1938 in order to keep supplies in line with demand. So far this season prices have averaged about the same as last season.
2. Burley: Marketings last year were sufficiently large to rebuild stocks to a level in line with trade requirements. Estimates of Burley consumption during the past year indicate that the upward trend was much less pronounced than in other recent years. The 1938 crop is estimated to be nearly as large as last year's. To offset the high yields of the past two years and the resulting increases of supplies, additional acreage adjustments will be required for 1939.
3. Dark tobacco: This tobacco is in less demand each year and only diversion to by-product uses has prevented an accumulation of supplies. The 1938 crop was small because of excessive rains and wild fire, but total supplies are still large in relation to domestic consumption and exports. In view of the vanishing

market for dark tobacco, it is desirable that the 1939 acreage be held within the limits of recent years.

12. What is the food and feed crop situation on farms in the East Central Region?

Crops have been generally good the last two years. Supplies are more abundant than usual. Present feed supplies are relatively abundant and will permit rebuilding the livestock enterprises, which were decreased following the drought of 1936. The long time effect of the AAA farm program will be to insure needed food and feed supplies.

13. Has the Farm Program been effective in controlling surpluses and in conserving soil productivity?

Surpluses are the result of larger crops than are needed either because of excessive acreage or because of unusually high yields or both. The program influences the size of the crop through acreage allotments, but it does not control the yield. The effect of the program is least evident in years when yields are high, such as in the past two years when weather has been generally very favorable. Also as a result of the invalidation of the original AAA by the Supreme Court in January 1936, an effective control program was lacking in 1936 and 1937. A law giving the authority for the adjustment of supplies in line with demand did not become operative until February 1938. In previous adjustment programs the surpluses of tobacco, cotton, and other crops were appreciably adjusted in line with trade requirements. To offset the high yields in recent years, a larger acreage adjustment will be necessary for 1939 than would otherwise have been required. That is particularly true in the case of wheat where the program has not yet had a chance to bring about an adjustment in harvested acreage in winter areas.

Conserving soil productivity is achieved by preventing erosion and by growing soil conserving crops rather than soil-depleting crops. The program has succeeded in getting a substantial increase in the acreage of legumes, perennial grasses and winter cover crops and in greatly expanding the use of erosion prevention measures. The increased use of lime and phosphate has made possible the growing of legumes and grasses over a much wider area and is encouraging the development of sounder crop rotations. The shift from depleting to conserving crops also covers a large area and its influence in conserving soil productivity will become more apparent as the years go by. Farming experience testifies to the benefits from keeping land in grass and legumes.

14. What are the figures on farm income?

Farm income in 1937 as compared to 1932 is shown in the following table. The figures tell their own story of the progress which has been made, in which the Farm Program has played an important part. Farm income in 1938 probably will not be quite as large as in 1936 or 1937, but larger than any other year since 1930.

CASH FARM INCOME

	1932	1937	1937 Including AAA Payments
Delaware	\$10,110,000	\$17,373,000	\$17,626,000
Kentucky	73,719,000	150,850,000	162,197,000
Maryland	41,166,000	74,152,000	75,665,000
North Carolina	97,730,000	258,500,000	271,132,000
Tennessee	66,702,000	128,700,000	137,104,000
Virginia	61,874,000	120,400,000	123,774,000
West Virginia	24,255,000	<u>41,424,000</u>	<u>42,185,000</u>
United States	<u>4,328,000,000</u>	<u>8,233,000,000</u>	<u>8,600,000,000</u>

15. What must farmers do to keep a successful farm program?

Wide participation in the program by farmers - cotton, tobacco, wheat, corn and all other farmers - is essential. The benefits which individual farmers obtained from the operation of the 1938 AAA farm program would not have been possible had it not been for the cooperation of the more than 4,000,000 farmers who took part in it. In this connection Secretary Wallace in a recent speech said:

"The farm program of 1938 was made necessary by war and the aftermath of war. And now today with conditions as they are in the world, this farm program has become more vital . . . than it has ever been before. Now, more than before, it is needed to assure farmers the fair share of the national income which they must have for better living standards among farm families.

"But the need for a farm program does not in itself assure farmers of having it. Farmers needed a national farm program in the early twenties. They needed it in the inflationary period of '28 and '29, and as the depression deepened they needed it more and more. But year after painful year went by before that dire need brought forth a program. It took 20 years of struggle before the farmers finally got a law in 1933 that was based on the principle of farm equality.

"You have a farm program based on farm equality now. But can you keep it unless you are willing to fight for it? Today, as in 1935 when the processors made their mass attack on the first Agricultural Adjustment Act, the program is under fire. Now, as then, different schemes are being pushed forward as substitutes and hailed by interests which are and always have been against any farm program of any kind. These interests think that, once rid of the present program, they can make short work of whatever glittering substitute is used to knock it out.

"The time has come for farmers the country over to make up their minds where they stand. Without their farm program, surpluses will pile

up, prices will be ruined and income will fall. No other program that I know of would give . . . farmers as large an income over a period of years.

"Of course we do not want the farm program taken away. And to guard it and make it work, we need to keep the never-say-die cooperative spirit . . . The tobacco farmers, the cotton farmers, the wheat farmers, the corn farmers and all the other farm groups need to close up their ranks. United action gave farmers the only national farm program they have ever had. If that spirit is maintained, if each one does his part, the farm program will go on."

